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DICKINSON, WRIGHT, MOON, VAN DUSEN & FREEMAN  
COUNSELLORS AT LAW  
800 FIRST NATIONAL BUILDING  
DETROIT, MICHIGAN 48226-3555

TELEPHONE (313) 223-3500  
TELECOPIER (313) 223-3598

525 NORTH WOODWARD AVENUE  
P O BOX 509  
BLOOMFIELD HILLS MICHIGAN 48013  
TELEPHONE (313) 646 4300  
TELECOPIER (313) 646 6275

SUITE 801  
1901 L STREET NW  
WASHINGTON DC 20036  
TELEPHONE (202) 457 0160  
TELECOPIER (202) 659 1559

SUITE 200  
215 SOUTH WASHINGTON SQUARE  
LANSING MICHIGAN 48933  
TELEPHONE (517) 371-1730  
TELECOPIER (517) 371-2939

RECORDATION NO **16749** FILED 1425

JAN 31 1990 -11 10 AM

INTERSTATE COMMERCE COMMISSION

RUSSELL A. McNAIR, JR  
(313) 223-3511

January 30, 1990

Noreta R. McGee, Secretary  
Interstate Commerce Commission  
Washington, D.C.

0-031A017

Dear Secretary:

I have enclosed an original and one counterpart of the document described below, to be recorded pursuant to Section 11303 of Title 49 of the U.S. Code.

This document is a security agreement, a primary document, dated December 29, 1989.

The names and addresses of the parties to the documents are as follows:

Mortgagors:	D.M. Central Transportation Company, Inc.
(Debtors)	Central Michigan Railway Company
	Detroit and Mackinac Railway Company
	Mackinac Land and Cattle Company
	Straits Wood Treating Company
	Bay Development Company
	Bay Services Company
	120 Oak Street
	Tawas City, MI 48264
Mortgagee:	National Bank of Detroit
(Secured Party)	611 Woodward Avenue
	Detroit, MI 48226

A description of the equipment covered by the documents follows:

Noreta R. McGee  
 January 30, 1990  
 Page 2

All of the Debtors' rolling stock, including:

Locomotives

<u>Amount</u>	<u>Unit Numbers</u>	<u>Description</u>
<u>Charles A. Pinkerton III, trust (owner, but leased to CMGN)</u>		
4	8801-8804	2000 H.P. EHDGP38
<u>Bay Development Company, (owner, but leased to DM)</u>		
5	974	1600 H.P. Alco
5	1280	2000 H.P. Alco
5	181	2000 H.P. Alco
5	281	2000 H.P. Alco
5	381	2000 H.P. Alco
<u>Detroit and Mackinac Railway Company (owner)</u>		
6	646	660 H.P. Alco
6	469	1600 H.P. Alco RS2
6	975	1800 H.P. Alco
6	976	2000 H.P. Alco
6	977	1600 H.P. Alco
6	1077	1600 H.P. Alco RS3

Boxcars and Hoppers

<u>Amount</u>	<u>Unit Numbers</u>	<u>Description</u>
<u>Detroit and Mackinac Railway Company (owner)</u>		
Boxcars		
67	2100 series	XM 50' car 16' D.D.
71	2400 series	XF 50' car 10' S.D.

Open Hoppers

21	5100 series	3 pocket, 100 ton
33	5400 series	3 pocket, 77 ton
20	5800 series	3 pocket, 77 ton
43	7000 series	3 pocket, 77 ton

Noreta R. McGee  
 January 30, 1990  
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Bay Development Company (owner, but leased to D & M)

Boxcars

30	2100 series	XM 50' car 16' D.D.
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Open Hoppers

27	5100 series	3 pocket, 100 ton
7	5500 series	3 pocket, 77 ton
30	5700 series	3 pocket, 77 ton
66	5800 series	3 pocket, 77 ton
100	5900 series	3 pocket, 100 ton

Included in the property covered by the aforesaid security agreement are railroad cars, locomotives and other rolling stock intended for use related to interstate commerce, or interests therein, owned by the aforesaid mortgagors at the date of said security agreement or thereafter acquired by it or its successors as owners of the lines of railway covered by the security agreement.

A fee of \$15.00 is enclosed. Please return the original and any extra copies not needed by the Commission for recordation to:

Pauline E. Doohan  
 800 First National Building  
 Detroit, Michigan 48226-3555

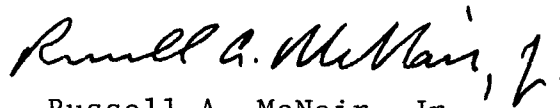
A short summary of the document to appear in the index follows:

A security agreement between D.M. Central Transportation Company, Inc., Central Michigan Railway Company, Detroit and Mackinac Railway Company, Mackinac Land and Cattle Company, Straits Wood Treating Company, Bay Development Company, and Bay Services Company, 120 Oak Street, Tawas City, MI 48764 and National Bank of Detroit, 611 Woodward Avenue, Detroit, MI 48226 and covering

Noreta R. McGee  
January 30, 1990  
Page 4

railroad cars, locomotives and other  
rolling stock.

Very truly yours,

A handwritten signature in cursive script, reading "Russell A. McNair, Jr.".

Russell A. McNair, Jr.  
Attorney for National Bank of Detroit

RAM:yr

**Interstate Commerce Commission**  
Washington, D.C. 20423

2/2/90

OFFICE OF THE SECRETARY

Pauline E. Doohan  
800 First National Building  
Detroit ,Michigan 48226-3555

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 1/31/90 at 11:10<sup>am</sup> and assigned recordation number(s). 16749 & 16750

Sincerely yours,



Noreta R. McGee  
Secretary

Enclosure(s)

16749  
RECORDATION NO. \_\_\_\_\_ FILED 1425

JAN 31 1990 -11 10 AM  
INTERSTATE COMMERCE COMMISSION

EXECUTION COPY

SECURITY AGREEMENT

THIS SECURITY AGREEMENT, dated as of January 11, 1990 (this "Security Agreement"), executed by D.M. CENTRAL TRANSPORTATION COMPANY, INC., CENTRAL MICHIGAN RAILWAY COMPANY, DETROIT AND MACKINAC RAILWAY COMPANY, MACKINAC LAND AND CATTLE COMPANY, STRAITS WOOD TREATING COMPANY, BAY DEVELOPMENT COMPANY AND BAY SERVICES COMPANY, all Michigan corporations, (herein referred to collectively as the "Debtors" and individually as a "Debtor"), in favor of NATIONAL BANK OF DETROIT, a national banking association (the "Bank").

W I T N E S S E T H:

WHEREAS, THE STRAITS CORPORATION (the "Company") and the Bank have entered into a Term Loan and Credit Agreement, dated as of January 11, 1990 (the "Credit Agreement") pursuant to which the Bank will make a term loan to the Company in the principal amount of \$8,000,000 and will make available a revolving credit facility in the aggregate principal amount of \$8,000,000, such credit facility being convertible into a term loan, all loans being evidenced by Promissory Notes payable to the order of the Bank in the aggregate principal amount of \$16,000,000 (the "Promissory Notes"), and the other Debtors have, jointly and severally, guaranteed payment of the Promissory Note and of all other obligations of the Company to the Bank under the Credit Agreement or under any other instrument or agreement; and

WHEREAS, the Company and the Bank have entered into a Security Agreement, dated as of January 11, 1990 (the "Parent Security Agreement") securing the repayment of the Secured Obligations (as defined in the Parent Security Agreement);

NOW, THEREFORE, to secure (a) payment of the principal sum of \$16,000,000, together with interest thereon, payable in accordance with the terms of the Promissory Notes, and payment of all other sums now or hereafter owing by the Company to the Bank under the Credit Agreement or any other note issued pursuant thereto, (b) payment of all amounts at any time owing by any of the other Debtors under the Guaranty Agreement of even date herewith or under any other guaranties executed and delivered to the Bank on account of indebtedness of any of them, (c) performance

of the covenants and agreements herein contained and any monies expended by the Bank in connection therewith (d) payment of all amounts due under any promissory note issued by any of the other Debtors to the Company which have been pledged to the Bank, and (e) payment of all obligations and performance of all covenants of any of the Debtors under any other agreements with the Bank and any and all other indebtedness, obligations and liabilities of any kind of any of the Debtors to the Bank, now or hereafter existing, direct or indirect (including without limitation any participation interest acquired by the Bank in any such indebtedness, obligations or liabilities of any of the Debtors to any other person), absolute or contingent, joint and/or several, secured or unsecured, arising by operation of law or otherwise, and whether incurred by any of the Debtors as principal, surety, endorser, guarantor, accommodation party or otherwise (all of the foregoing indebtedness, obligations and liabilities of the Debtors being herein called the "Secured Obligations", and all of the documents, agreements and instruments between any of the Debtors and the Bank evidencing or securing the repayment of, or otherwise pertaining to the Secured Obligations being herein collectively called the "Operative Documents"),

FOR VALUE RECEIVED, the Debtors, jointly and severally (as their interests may appear), hereby grant, assign and transfer to the Bank a security interest in and to the following described property, whether now owned or existing or hereafter acquired or arising and wherever located (all of which is herein collectively called the "Collateral"):

(a) All of each Debtor's respective present and future accounts, documents, instruments, general intangibles and chattel paper, including, without limitation, all contract rights, all accounts receivable and all monies and claims for money due or to become due to each of the Debtors;

(b) All of each Debtor's respective furniture, fixtures, machinery and equipment, whether now owned or hereafter acquired, and wherever located, and whether used by the Debtor or any other person, or leased by the Debtor to any person and whether the interest of the Debtor is as owner, lessee or otherwise, including railroad track and rolling stock, including, but not limited to such rolling stock listed on Annex VI attached hereto;

(c) All of each Debtor's respective inventory of every type, wherever located, including but not limited to livestock, grain, raw materials, work in process, finished goods and all inventory that is available for leasing or leased to others by the Debtor;

(d) All other assets of each Debtor (whether tangible or intangible), including but not limited to all patents, trademarks, industrial designs, masks, trade names, copyrights, franchises, licenses and permits, and the goodwill associated there-

#### SECURITY AGREEMENT

with and all federal and state applications and registrations therefor; provided, however, that this paragraph (d) shall not apply to the assets of Coniston Partners, a limited partnership;

(e) All books and records of each Debtor related in any way to the Collateral described in clauses (a), (b), (c) and (d) above;

(f) All substitutions and replacements for, and all additions and accessions to, any and all of the foregoing; and

(g) All products and all proceeds of any and all of the foregoing, and, to the extent not otherwise included, all payments under insurance (whether or not the Bank is the loss payee thereof), and any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing.

1. Representations, Warranties, Covenants and Agreements. The Debtors jointly and severally represent, warrant, covenant, and agree as follows:

(a) Ownership of Collateral; Security Interest Priority. At the time any Collateral becomes subject to a security interest of the Bank hereunder, unless the Bank shall otherwise consent in writing, the Debtors shall be deemed to have represented and warranted that (a) a Debtor is the lawful owner of such Collateral and such Debtor has the right and authority to subject the same to the security interest of the Bank and (b) none of the Collateral is subject to any lien, security interest, charge or encumbrance, other than liens and security interests in favor of the Bank, or those listed on Annex I attached hereto and there is no effective financing statement covering any of the Collateral on file in any public office, other than those evidencing security interests in favor of the Bank or those listed on Annex I attached hereto. This Security Agreement creates in favor of the Bank a valid and perfected security interest in the Collateral enforceable against the Debtors and all third parties and securing the payment of the Secured Obligations and all filings and other actions necessary or desirable to create, preserve or perfect such security interests have been duly taken.

(b) Location of Offices, Records and Facilities. The Debtors' chief executive offices and chief places of business and the office where the Debtors keep their records concerning their respective accounts, contract rights, chattel paper, instruments, general intangibles and other obligations arising out of or in connection with the sale or lease of goods or the rendering of services or otherwise ("Receivables"), and all originals of all leases and other chattel paper which evidence Receivables, are all located in the State of Michigan and set forth in Annex II

#### SECURITY AGREEMENT



attached hereto. Each Debtor will provide the Bank with prior written notice of any proposed change in the location of its chief executive office and will not change the location of its chief executive office without the prior written consent of the Bank. The Debtors' only other offices and facilities are at the locations set forth in Annex III hereto. Each Debtor will provide the Bank with prior written notice of any change in the locations of its other offices and the facilities.

(c) Location of Inventory, Fixtures, Machinery and Equipment. All Collateral consisting of inventory is, and will be, located at the locations listed on Annex IV hereto, and at no other locations without the prior written consent of the Bank. All Collateral consisting of fixtures, machinery or equipment, other than rolling stock, is, and will be, located at the locations listed on Annex V hereto, and at no other locations without the prior written consent of the Bank. The Company shall, upon the Bank's request, inform the Bank as to the location of all rolling stock as of the end of the month preceding such request.

(d) Liens, Etc. The Debtors will keep the Collateral free at all times from any and all liens, security interests or encumbrances other than those described in paragraph 1(a) and those consented to in writing by the Bank. No Debtor shall, without the prior written consent of the Bank, sell or lease, or permit or suffer to be sold or leased, any of the Collateral except inventory which is sold or, subject to the Bank's security interest therein, is leased in the ordinary course of the Debtors' business. The Bank or its attorneys may at any and all reasonable times inspect the Collateral and for such purpose may enter upon any and all premises where the Collateral is or might be kept or located.

(e) Insurance. The Debtors shall keep the tangible Collateral insured at all times against loss by theft, fire and other casualties. Said insurance shall be issued by a company satisfactory to the Bank and shall be in amounts sufficient to protect the Bank against any and all loss or damage to the Collateral. The policy or policies which evidence said insurance shall be delivered to the Bank upon request, shall contain a loss payable clause in favor of the Bank, shall name the Bank as an additional insured, as its interest may appear, shall not permit amendment, cancellation or termination without giving the Bank at least 30 days prior written notice thereof, and shall otherwise be in form and substance satisfactory to the Bank. Reimbursement under any liability insurance maintained by the Debtors pursuant to this paragraph 1(e) may be paid directly to the person who shall have incurred liability covered by such insurance. In case of any loss involving loss to tangible Collateral when the next succeeding sentence is not applicable, the Debtors shall make or cause to be made the necessary repairs to or replacements of such

tangible Collateral and any proceeds of insurance maintained by the Debtors pursuant to this paragraph 1(e) shall be paid to the Debtor actually making the repair or replacement as reimbursement for the costs of such repairs or replacements. Upon the occurrence and during the continuance of an event of default or the actual or constructive total loss of any tangible Collateral, all insurance payments in respect of such tangible Collateral shall be paid to and applied by the Bank as specified in paragraph 3.

(f) Taxes, Etc. The Debtors will pay promptly, and within the time that they can be paid without interest or penalty, any taxes, assessments and similar imposts and charges, not being contested in good faith, which are now or hereafter may become a lien, charge or encumbrance upon any of the Collateral. If the Debtors fail to pay any such taxes, assessments or other imposts or charges in accordance with this paragraph, the Bank shall have the option to do so and the Debtors shall repay forthwith all amounts so expended by the Bank with interest at the default rate of interest under the Promissory Note. The Debtors shall further pay when due all property and other taxes, assessments and governmental charges or levies imposed upon, and all claims (including claims for labor, materials and supplies) against, the tangible Collateral, except to the extent the validity thereof is being contested in good faith by appropriate legal proceedings and as to which appropriate financial reserves have been established on the books and records of the Debtor which owns such tangible Collateral.

(g) Further Assurances. The Debtors will do all acts and things and will execute all financing statements and writings requested by the Bank to establish, maintain and continue a perfected and valid security interest of the Bank in the Collateral, and will promptly on demand pay all reasonable costs and expenses of filing and recording all instruments, including the costs of any searches deemed necessary by the Bank to establish and determine the validity and the priority of the Bank's security interests.

(h) Maintenance of Tangible Collateral. The Debtors will cause the tangible Collateral to be maintained and preserved in the same condition, repair and working order as when new, ordinary wear and tear excepted, and in accordance with any manufacturer's manual, and shall forthwith, or in the case of any loss or damage to any of the tangible Collateral as quickly as practicable after the occurrence thereof, make or cause to be made all repairs, replacements, and other improvements made in connection therewith which are necessary or desirable to such end. The Company, on behalf of the Debtors, shall promptly furnish to the Bank a statement respecting any material loss or damage to any of the tangible Collateral.

(i) Maintenance of Intangible Collateral. The Debtors will preserve and maintain all rights of the Debtors and the Bank in the intangible Collateral, including without limitation the payment of all maintenance fees and the taking of appropriate action at the Company's expense to halt the infringement of any of the intangible Collateral.

(j) Names and Tax Identification Numbers. The Debtors have not at any time operated under any other names than their names as set forth at the beginning of this Agreement, except as specified in writing to the Bank, and the tax identification number of each of them is correctly set forth in the financing statement between such Debtor and the Bank.

2. Events of Default. The occurrence of any of the following events shall constitute an event of default under this Security Agreement:

(a) Any representation or warranty of any of the Debtors contained herein or in any certificate or other document delivered to the Bank proves to be untrue in any material respect as of the date when made.

(b) Default by any of the Debtors in the observance or performance of any of the terms, conditions, covenants or agreements contained herein, and such default continues for a period of 30 days.

(c) Any event of default under the Credit Agreement.

3. Remedies. Upon the occurrence of any such event of default, the Bank shall have and may exercise any one or more of the rights and remedies provided to it under this Security Agreement or any of the other Operative Documents or provided by law, including but not limited to all of the rights and remedies of a secured party under the Uniform Commercial Code, and the Company hereby agrees to assemble the Collateral on behalf of the Debtors and make it available to the Bank at a place to be designated by the Bank which is reasonably convenient to both parties. The Debtors authorize the Bank to take possession of the Collateral with or without demand and with or without process of law and to sell and dispose of the same at public or private sale and to apply the proceeds of such sale to the costs and expenses thereof (including reasonable attorneys' fees and disbursements incurred by the Bank) and then to the payment of the indebtedness and satisfaction of other Secured Obligations. Any requirement of reasonable notice shall be met if the Bank sends such notice to the Company on behalf of the Debtors, by registered or certified mail, at least 5 days prior to the date of sale, disposition or other event giving rise to a required notice. The Bank may be the purchaser at any such sale. The Debtors expressly authorize

such sale or sales of the Collateral in advance of and to the exclusion of any sale or sales of or other realization upon any other collateral securing the Secured Obligations. The Bank shall have no obligation to preserve rights against prior parties. The Debtors hereby waive as to the Bank any right of subrogation or marshalling of such Collateral and any other collateral for the Secured Obligations. To this end, the Debtors hereby expressly agree that any such collateral or other security of the Debtors or any other party which the Bank may hold, or which may come to any of them or any of their possession, may be dealt with in all respects and particulars as though this Security Agreement were not in existence. The parties hereto further agree that public sale of the Collateral by auction conducted in any county in which any Collateral is located or in which the Bank or the Debtors does business after advertisement of the time and place thereof shall, among other manners of public and private sale, be deemed to be a commercially reasonable disposition of the Collateral.

4. Special Remedies Concerning Certain Collateral. (a) Upon the occurrence of any event of default, the Debtors shall, if requested to do so in writing, and to the extent so requested (i) promptly collect and enforce payment of all amounts due any Debtor on account of, in payment of, or in connection with, any of the Collateral, (ii) hold all payments in the form received by the Debtors as trustee for the Bank, without commingling with any funds belonging to the Debtors, and (iii) forthwith deliver all such payments to the Bank with endorsement to the Bank's order of any checks or similar instruments.

(b) Upon the occurrence of any event of default, the Debtors shall, if requested to do so, and to the extent so requested, notify all account debtors and other persons with obligations to any Debtor on account of or in connection with any of the Collateral of the security interest of the Bank in the Collateral and direct such account debtors and other persons that all payments in connection with such obligations and the Collateral be made directly to the Bank. The Bank itself may, upon the occurrence of an event of default, so notify and direct any such account debtor or other person that such payments are to be made directly to the Bank.

(c) For purposes of assisting the Bank in exercising its rights and remedies provided to it under this Security Agreement, each Debtor (i) hereby irrevocably constitutes and appoints the Bank its true and lawful attorney, for it and in its name, place and stead, to collect, demand, receive, sue for, compromise, and give good and sufficient releases for, any monies due or to become due on account of, in payment of, or in connection with the Collateral, (ii) hereby irrevocably authorizes the Bank to endorse the name of such Debtor upon any checks, drafts, or

similar items which are received in payment of, or in connection with any of the Collateral, and to do all things necessary in order to reduce the same to money, and (iii) with respect to any Collateral, hereby irrevocably assents to all extensions or postponements of the time of payment thereof or any other indulgence in connection therewith, to each substitution, exchange or release of Collateral, to the addition or release of any party primarily or secondarily liable, to the acceptance of partial payments thereon and the settlement, compromise or adjustment thereof, all in such manner and at such time or times as the Bank shall deem advisable. Notwithstanding any other provision of this Security Agreement, it is expressly understood and agreed that the Bank shall have no duty or be obligated in any manner to make any demand or to make any inquiry as to the nature or sufficiency of any payments received by it or to present or file any claim or take any other action to collect or enforce the payment of any amounts due or to become due on account of or in connection with any of the Collateral.

5. Remedies Cumulative. No right or remedy conferred upon or reserved to the Bank under any Operative Document is intended to be exclusive of any other right or remedy, and every right and remedy shall be cumulative in addition to every other right or remedy given hereunder or now or hereafter existing under any applicable law. Every right and remedy of the Bank under any Operative Document or under applicable law may be exercised from time to time and as is often as may be deemed expedient by the Bank. To the extent that it lawfully may, each Debtor agrees that it will not at any time insist upon, plead, or in any manner whatever claim or take any benefit or advantage of any applicable present or future stay, extension or moratorium law, which may affect observance or performance of any provision of any Operative Document; nor will it claim, take or insist upon any benefit or advantage of any present or future law providing for the valuation or appraisal of any security for its obligations under any Operative Document prior to any sale or sales thereof which may be made under or by virtue of any instrument governing the same; nor will it, after any such sale or sales, claim or exercise any right, under any applicable law to redeem any portion of such security so sold.

6. Conduct No Waiver. No waiver of default shall be effective unless in writing executed by the Bank and waiver of any default or forbearance on the part of the Bank in enforcing any of its rights under this Security Agreement shall not operate as a waiver of any other default or of the same default on a future occasion or of such right.

7. Governing Law; Definitions. This Security Agreement is a contract made under, and the rights and obligations of the parties hereunder shall be governed by and construed in

accordance with, the laws of the State of Michigan applicable to contracts made and to be performed entirely within such State. Terms used but not defined herein shall have the respective meaning ascribed thereto in the Credit Agreement. Unless otherwise defined herein or in the Credit Agreement, terms used in Article 9 of the Uniform Commercial Code in the State of Michigan are used herein as therein defined on the date hereof.

8. Notices. All notices, demands, requests, consents and other communications hereunder shall be in writing and shall be delivered or sent to the Debtors at 120 Oak Street, Tawas City, Michigan 48763, Attention: Roger Moffatt, and to the Bank at 611 Woodward Avenue, Detroit, Michigan 48226, Attention: Bradley J. Faubel, Michigan Banking Division, or to such other address as may be designated by the Company or the Bank to the other party. All notices shall be deemed to have been given at the time of actual delivery thereof to such address.

9. Rights Not Construed as Duties. The Bank neither assumes nor shall it have any duty of performance or other responsibility under any contracts in which the Bank has or obtains a security interest hereunder. If the Debtors fail to perform any agreement contained herein, the Bank may but is in no way obligated to itself perform, or cause performance of, such agreement, and the expenses of the Bank incurred in connection therewith shall be payable by the Company under paragraph 12. The powers conferred on the Bank hereunder are solely to protect its interests in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the safe custody of any Collateral in its possession and accounting for monies actually received by it hereunder, the Bank shall have no duty as to any Collateral or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Collateral.

10. Amendments. None of the terms and provisions of this Security Agreement may be modified or amended in any way except by an instrument in writing executed by each of the parties hereto.

11. Severability. If any one or more provisions of this Security Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected, impaired or prejudiced thereby.

12. Expenses. (a) The Debtors, jointly and severally, shall indemnify the Bank from and against any and all claims, losses and liabilities arising out of or resulting from this Security Agreement (including, without limitation, enforcement of

this Security Agreement), except claims, losses or liabilities resulting from the Bank's gross negligence or willful misconduct.

(b) The Debtors will, upon demand, pay to the Bank any and all reasonable expenses, including the reasonable fees and disbursements of its counsel and of any experts and agents, which the Bank may incur in connection with (i) the administration of this Security Agreement, (ii) the custody, preservation, use or operation of, or the sale of, collection from or other realization upon, any of the Collateral, (iii) the exercise or enforcement of any of the rights of the Bank hereunder, or (iv) the failure of the Debtors to perform or observe any of the provisions hereof. The Debtors will reimburse the Bank for all expenses, including attorneys' fees and disbursements incurred by the Bank in seeking to collect the indebtedness and other obligations secured hereby or any part thereof, in enforcing performance of the Debtors' obligations under the Operative Documents, in defending the Bank's security interests and the priority thereof, or in pursuing any of the Bank's rights or remedies hereunder or under the Operative Documents.

13. Waiver of Jury Trial. The Bank and each of the Debtors, after consulting or having had the opportunity to consult with counsel, knowingly, voluntarily and intentionally waive any right any of them may have to a trial by jury in any litigation based upon or arising out of this agreement or any related instrument or agreement or any of the transactions contemplated by this agreement or any course of conduct, dealing, statements (whether oral or written) or actions of any of them. Neither the Bank nor any Debtor shall seek to consolidate, by counterclaim or otherwise, any such action in which a jury trial has been waived with any other action in which a jury trial cannot be or has not been waived. These provisions shall not be deemed to have been modified in any respect or relinquished by either the Bank or any Debtor except by a written instrument executed by both of them.

14. Successors and Assigns; Termination. This Security Agreement shall create a continuing security interest in the Collateral and shall (a) remain in full force and effect until full payment and performance of the Secured Obligations (b) be binding upon the Debtors, their respective successors and assigns and (c) inure, together with the rights and remedies of the Bank hereunder, to the benefit of the Bank and its successors, transferees and assigns. Upon the full payment and performance of the Secured Obligations, the security interests granted hereby shall terminate and all rights to the Collateral shall revert to the Debtors. Upon any such termination, the Bank will, at the Debtors' expense, execute and deliver to the Debtors such documents as the Company shall reasonably request to evidence such termination.

IN WITNESS WHEREOF, each of the Debtors has caused this Security Agreement to be duly executed as of the day and year first set above and this Security Agreement shall become effective the 24 day of January, 1990.

D.M. CENTRAL TRANSPORTATION COMPANY,  
INC.

By: Charles B. Portant  
Its: President

CENTRAL MICHIGAN RAILWAY COMPANY

By: Charles B. Portant  
Its: President

DETROIT AND MACKINAC RAILWAY COMPANY

By: Roger C. Moggall  
Its: Exec V.P.

MACKINAC LAND AND CATTLE COMPANY

By: Roger C. Moggall  
Its: Exec V.P.

STRAITS WOOD TREATING COMPANY

By: Roger C. Moggall  
Its: Exec V.P.

SECURITY AGREEMENT



BAY DEVELOPMENT COMPANY

By: Michael J. Rl  
Its: Asst Sec

BAY SERVICES COMPANY

By: Michael J. Rl  
Its: Asst Sec

16749  
RECORDATION PID \_\_\_\_\_ FILED 1425

JAN 31 1990 - 11 10 AM

INTERSTATE COMMERCE COMMISSION

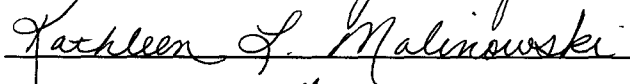
AFFIDAVIT

STATE OF MICHIGAN     )  
                                  )  
COUNTY OF WAYNE     )

Todd K. Garvelink, being first duly sworn, deposes and says that he has compared the attached copy of the Security Agreement between D.M. Central Transportation Company, Inc., Central Michigan Railway Company, Detroit and Mackinac Railway Company, Mackinac Land and Cattle Company, Straits Wood Treating Company, Bay Development Company, Bay Services Company, and National Bank of Detroit with the original document dated January 24, 1990 and found the copy to be complete and identical in all respects to the original document.

  
\_\_\_\_\_  
Todd K. Garvelink

Subscribed and sworn to before me  
this 29th day of January 1990.

  
\_\_\_\_\_  
Kathleen L. Malinowski

Notary Public, Macomb (acting in Wayne) County, MI  
My commission expires: 11/17/90

TKG/00007/1747/AA9/1  
KATHLEEN L. MALINOWSKI  
Notary Public, Macomb County, MI  
My Commission Expires Nov. 17, 1990

ANNEX I

List of Permitted Liens

- \$ .850M Michigan Department of Transportation Contingent Interest - Detroit and Mackinac Railway Company
- \$ .268M First Mortgage and Lien Bonds - Detroit and Mackinac Railway Company
- \$ .436M U.S. Government Crop Loans for 1989 and similar U.S. Government Crop Loans for subsequent years - Mackinac Land and Cattle Co.
- \$2.680M Grand Trunk Western Railway Mortgage - Central Michigan Railway Company

ANNEX II

List of Chief Executive Offices and  
Chief Places of Business

<u>Debtor</u>	<u>Address</u>	<u>City</u>	<u>State</u>
D.M. Central Transportation	120 Oak Street	Tawas City	MI
Detroit and Mackinac Railway Company	120 Oak Street	Tawas City	MI
Central Michigan Railway Company	120 Oak Street	Tawas City	MI
Bay Development Company	120 Oak Street	Tawas City	MI
Straits Wood Treating, Inc.	120 Oak Street	Tawas City	MI
Mackinac Land and Cattle Co.	120 Oak Street	Tawas City	MI
Bay Services Corporation	120 Oak Street	Tawas City	MI

SECURITY AGREEMENT

# ANNEX III

## List of Other Office and Facility Locations

<u>Type of Office or Facility</u>	<u>Address</u>	<u>City</u>	<u>State</u>
Central Michigan Railway Company			
- Freight Office	3688 N. Euclid	Bay City	MI
- Marketing Office	4901 Towne Center Rd. Suite 303	Saginaw	MI
- Engine House	3688 N. Euclid	Bay City	MI
- Yard Office	2760 Henry St.	Muskegon	MI
- Yard Office	300 Brookfield	Durand	MI
Detroit and Mackinac Railway Company			
- Engine Shop	120 Oak St.	Tawas City	MI
- Car Shop	120 Oak St.	Tawas City	MI
- Fuel Loading	1804 Marquette	Bay City	MI
- Engine House	4751 E. Wilder Rd.	Bay City	MI
Straits Wood Treating, Inc.			
- Treating Plant	610 Oak St.	Tawas City	MI
- Treating Plant	2549 Industrial Dr.	Grayling	MI
- Treating Plant	4804 E. Wilder Rd.	Bay City	MI
Bay Development Company			
- Furniture Store	4946 Berl Dr.	Saginaw	MI
- Furniture Warehouse	1400 Weiss St.	Saginaw	MI
Mackinac Land and Cattle Co.			
- Farm Operation	8850 W. Meadow Rd.	Whittemore	MI
Bay Services Corporation			
- Maintenance Garage	120 Oak St.	Tawas City	MI
- Fuel Terminal	U.S. 23 Hwy.	Harrisville	MI

SECURITY AGREEMENT

ANNEX IV

List of Inventory Locations

<u>Facility</u>	<u>Address</u>	<u>City</u>	<u>State</u>
Detroit and Mackinac Railway Company	120 Oak St.	Tawas City	MI
Straits Wood Treating, Inc.	160 Oak St. 4804 E. Wilder Rd. 2549 Industrial Dr.	Tawas City	MI
Bay Development Company	4946 Berl Dr. 1400 Weiss St.	Saginaw Saginaw	MI MI
Mackinac Land and Cattle Co.	8805 W. Meadow Rd.	Whittemore	MI

# ANNEX V

## List of Fixtures, Machinery and Equipment Locations\*

<u>Type of Office or Facility</u>	<u>Address</u>	<u>City</u>	<u>State</u>
Central Michigan Railway Company			
- Freight Office	3688 N. Euclid	Bay City	MI
- Marketing Office	4901 Towne Center Rd. Suite 303	Saginaw	MI
- Engine House	3688 N. Euclid	Bay City	MI
- Yard Office	2760 Henry St.	Muskegon	MI
- Yard Office	300 Brookfield	Durand	MI
Detroit and Mackinac Railway Company			
- Engine Shop	120 Oak St.	Tawas City	MI
- Car Shop	120 Oak St.	Tawas City	MI
- Fuel Loading	1804 Marquette	Bay City	MI
- Engine House	4751 E. Wilder Rd.	Bay City	MI
Straits Wood Treating, Inc.			
- Treating Plant	610 Oak St.	Tawas City	MI
- Treating Plant	2549 Industrial Dr.	Grayling	MI
- Treating Plant	4804 E. Wilder Rd.	Bay City	MI
Bay Development Company			
- Furniture Store	4946 Berl Dr.	Saginaw	MI
- Furniture Warehouse	1400 Weiss St.	Saginaw	MI
Mackinac Land and Cattle Co.			
- Farm Operation	8850 W. Meadow Rd.	Whittemore	MI
Bay Services Corporation			
- Maintenance Garage	120 Oak St.	Tawas City	MI
- Fuel Terminal	U.S. 23 Hwy.	Harrisville	MI

\* D&M rolling stock travels throughout the U.S. and Canada.

# ANNEX VI

## Rolling Stock

All of the Debtors' rolling stock, including:

### Locomotives

<u>Amount</u>	<u>Unit Numbers</u>	<u>Description</u>
<u>Charles A. Pinkerton III, trust (owner, but leased to CMGN)</u>		
4	8801-8804	2000 H.P. EHDGP38
<u>Bay Development Company, (owner, but leased to DM)</u>		
5	974	1600 H.P. Alco
5	1280	2000 H.P. Alco
5	181	2000 H.P. Alco
5	281	2000 H.P. Alco
5	381	2000 H.P. Alco
<u>Detroit and Mackinac Railway Company (owner)</u>		
6	646	660 H.P. Alco
6	469	1600 H.P. Alco RS2
6	975	1800 H.P. Alco
6	976	2000 H.P. Alco
6	977	1600 H.P. Alco
6	1077	1600 H.P. Alco RS3



## Boxcars and Hoppers

<u>Amount</u>	<u>Unit Numbers</u>	<u>Description</u>
<u>Detroit and Mackinac Railway Company (owner)</u>		
Boxcars		
67	2100 series	XM 50' car 16' D.D.
71	2400 series	XF 50' car 10' S.D.

### Open Hoppers

21	5100 series	3 pocket, 100 ton
33	5400 series	3 pocket, 77 ton
20	5800 series	3 pocket, 77 ton
43	7000 series	3 pocket, 77 ton

### Bay Development Company (owner, but leased to D & M)

#### Boxcars

30	2100 series	XM 50' car 16' D.D.
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#### Open Hoppers

27	5100 series	3 pocket, 100 ton
7	5500 series	3 pocket, 77 ton
30	5700 series	3 pocket, 77 ton
66	5800 series	3 pocket, 77 ton
100	5900 series	3 pocket, 100 ton

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SECURITY AGREEMENT

16749

RECORDATION NO. \_\_\_\_\_ FILED 1425

JAN 31 1990 - 11 10 AM

INTERSTATE COMMERCE COMMISSION

AFFIDAVIT

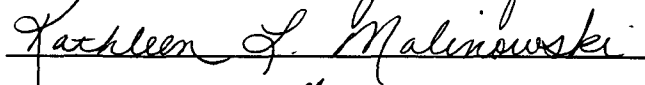
STATE OF MICHIGAN    )  
                              )  
COUNTY OF WAYNE    )

Todd K. Garvelink, being first duly sworn, deposes and says that he has compared the attached copy of the Security Agreement between D.M. Central Transportation Company, Inc., Central Michigan Railway Company, Detroit and Mackinac Railway Company, Mackinac Land and Cattle Company, Straits Wood Treating Company, Bay Development Company, Bay Services Company, and National Bank of Detroit with the original document dated January 24, 1990 and found the copy to be complete and identical in all respects to the original document.



Todd K. Garvelink

Subscribed and sworn to before me  
this 29th day of January 1990.



Notary Public, Macomb County, MI  
My commission expires: 11/17/90

TKG/00007/1747/AA9/1

KATHLEEN L. MALINOWSKI

Notary Public, Macomb County, MI  
My Commission Expires Nov. 17, 1990